

CIDFAC-Approved IDB Project First in California to Use Federal Home Loan Bank Credit Enhancement Program

California Industrial Development Financing Advisory Commission (CIDFAC) has approved the first manufacturing project in the state to access the Federal Home Loan Bank's (FHLBank) standby credit enhancement program. Chaired by State Treasurer Bill Lockyer, CIDFAC approved the issuance of Industrial Development Bond (IDB) financing for the Pocino Foods Co. project, in a deal that closed on November 19, 2008. The FHLBank San Francisco issued the standby letter of credit on behalf City National Bank, the letter of credit bank for the Pocino project.

As part of the federal Housing Bill signed into law on July 30, 2008, Section 149 of the Internal Revenue Code was amended to make tax-exempt status possible for non-housing related bonds supported by FHLBank Letters of Credit. An FHLBank letter of credit can be used to support a tax-exempt bond issuance by providing a AAA-rated "wrap" around the direct-pay letters of credit issued by their member banks.

Pocino Foods Co. was incorporated in the State of California in 1965. The firm manufactures prepared meats and poultry products at its plant in the City of Industry for retail, food service and institutional markets, as well as for private label customers. Pocino's products are marketed under the following brand names: F. Pocino & Sons Premium Deli Products, Pocino Deluxe, Meals in Minutes™, Deli King and Smoke Bar Ranch. The company's customers include Smart & Final, Subway, Ralph's Markets and Safeway Markets.

Due to an increase in production and sales, the company's plant needs infrastructure upgrades and improvements, along with new equipment designed to meet current and future food industry processing standards. The IDB proceeds will be used for plant improvements, and the acquisition and installation of new meat processing equipment.